

OFFICE OF AUDITS & ADVISORY SERVICES



AUDIT OF THE SOCIAL SECURITY NUMBER TRUNCATION PROGRAM

FINAL REPORT

Chief of Audits: [Juan R. Perez](#)
Senior Audit Manager: [Laura Flores, CIA, CFE, CGAP](#)
Senior Auditor: [Tatiana Foster, CPA, CFE](#)

Intentionally Left Blank



County of San Diego

TRACY M. SANDOVAL
GENERAL MANAGER/
AUDITOR & CONTROLLER
(619) 531-5413
FAX: (619) 531-5219

FINANCE & GENERAL GOVERNMENT GROUP

1600 PACIFIC HIGHWAY, SUITE 166, SAN DIEGO, CA 92101-2422

ASSESSOR/RECORDER/COUNTY CLERK
AUDITOR AND CONTROLLER
CHIEF ADMINISTRATIVE OFFICE
CIVIL SERVICE COMMISSION
CLERK OF THE BOARD
COUNTY COMMUNICATIONS OFFICE
COUNTY COUNSEL
COUNTY TECHNOLOGY OFFICE
GRAND JURY
HUMAN RESOURCES
RETIREMENT ASSOCIATION
TREASURER-TAX COLLECTOR

December 18, 2013

TO: Ernest J. Dronenburg, Jr., Assessor/Recorder/County Clerk
Assessor/Recorder/County Clerk

FROM: Juan R. Perez
Chief of Audits

AUDITS AND ADVISORY SERVICES EVALUATION FORM

The Assessor/Recorder/County Clerk received auditing or advisory services concerning Audit of the Social Security Number Truncation Program (report issued on December 6, 2013).

We are interested in your feedback to help us improve our future services to you and other County customers; therefore, we have enclosed a customer service evaluation form that we would appreciate you completing by January 3, 2014.

Please use the enclosed envelope for the completed form and send it via interoffice mail to the Auditor and Controller at mail stop A5. We look forward to receiving your comments. To obtain an electronic copy of this template, please contact Tatiana Foster at (858) 495-5667.

If you have any questions, please contact me at (858) 495-5661.

JUAN R. PEREZ
Chief of Audits

AUD:TF:aps

Enclosure

c: Tracy M. Sandoval, Deputy Chief Administrative Officer/Auditor and Controller

INTRODUCTION

Audit Objective The Office of Audits & Advisory Services (OAAS) completed an audit of the Social Security Number Truncation Program (Program). The objective of the audit was to verify whether the fees collected according to Government Code Section 27361(d)(1) are used only for the purpose of the Program.

Background The Recorder Division of the Assessor/Recorder/County Clerk (ARCC) is responsible for examining and recording legal instruments (documents) authorized or required by law upon payment of fees and taxes. These documents become public records and may contain social security numbers (SSNs).

On October 12, 2007, the Governor signed Assembly Bill 1168, referenced in California Government Code Sections 27301-27305, requiring county recorders to establish a program for the truncation of SSNs in recorded documents. The bill requires retrospective truncation of all, but the last four digits of the SSN, back to 1980 and prospective truncation beginning January 1, 2009.

Government Code Section 27361(d) authorized counties to impose an additional \$1 fee for the first page of each recorded document to fund implementation of the Program. On December 4, 2007, the County Board of Supervisors adopted a resolution that authorized the fee which became effective on January 3, 2008.

The ARCC established the Recording Redaction Trust Fund to account for funds generated by the collection of the fee. This is an agency trust fund; therefore, expenditures related to the Program are initially paid by ARCC General Fund. These expenditures are reimbursed by transferring funds from the Recording Redaction Trust Fund to ARCC General Fund.

The legislation requires the county auditors to conduct two reviews: one between June 1, 2012 and December 31, 2013 and one between June 1, 2017 and December 31, 2017, to verify that the funds generated by this fee are only used for the purpose set forth in the Program.

Scope & Limitations The audit covered the Program's activities from FY 2007-08 through FY 2012-13.

This audit was conducted in conformance with the International Standards for the Professional Practice of Internal Auditing prescribed by the Institute of Internal Auditors as required by California Government Code, Section 1236.

Methodology

OAAS performed the audit using the following methods:

- Interviewed ARCC's staff to determine the progress in truncating recorded documents and the estimated ongoing cost in complying with the requirements of California Government Code Section 27301 subdivisions (a) and (b).
- Validated the progress in truncating recorded documents and the estimated ongoing cost of the Program.
- Determined whether ARCC has adequate controls in place to ensure that collected fees are recorded accurately and completely in the Recording Redaction Trust Fund.
- Reviewed supporting documentation for a judgmental sample of the Program's expenditures to ensure that these expenditures were incurred for the purpose of the Program.
- Reconciled the Program's expenditures to the Recording Redaction Trust Fund transfers.

AUDIT RESULTS

Summary

Within the scope of the audit, there is reasonable assurance that the fees collected according to Government Code Section 27361(d)(1) are being used for the purpose of the Program.

OAAS identified the following information related to the Program:

Progress in Truncating Recorded Documents

Truncation of SSNs for documents recorded between 1980 and 1989 was completed in 2012 by an outside vendor. Truncation of SSNs for documents recorded between 1990 and 2008 will be performed by another contractor. This contract is estimated to begin on December 1, 2013. There are approximately 17 million official record documents, comprising of 70 million images (or pages) to be examined for redaction.

ARCC began truncation of SSNs on recorded documents prospectively on January 1, 2009. As an interim solution, ARCC contracted this process to an outside vendor. However, ARCC is in the process of implementing a new integrated system which will allow redaction of SSNs to occur immediately after recording. Full system implementation is scheduled to occur by June 2014.

Program Expenditures

The expenditures related to the implementation of the Program reported per fiscal year are shown in Table 1:

Table 1. Program Expenditures

SSNs Truncation Cost	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13	Total
Documents recorded between 1980-1989	-	-	-	-	\$478,094	\$478,094
Documents recorded starting January 1, 2009	\$23,210	\$63,958	\$51,551	\$58,826	\$91,779	\$289,324
Integrated system cost ¹	-	\$28,072	\$14,036	-	-	\$42,108
Total						\$809,526

Out of \$809,526, the Recording Redaction Trust Fund paid \$539,461 for the Program's related expenditures. The remaining expenditures of \$270,065 were paid by ARCC General Fund. ARCC management indicated that general fund dollars were unintentionally used to pay for part of the Program's expenditures. Specifically, part of the Program's expenditures were combined with other general fund expenditures onto one work request which resulted in an inadvertent use of general fund dollars. According to ARCC management, additional controls have been established to prevent unintentional use of general funds in the future.

Estimated Ongoing Cost

The estimated ongoing cost of complying with the Program is presented in Table 2:

Table 2. Estimated Ongoing Cost

SSN Truncation Cost	Estimated Cost
Documents recorded between 1990 and 2008	\$840,000
Documents recorded in FY 2013-14	\$70,000
In-house truncation of documents recorded in FY 2014-15 and thereon	To be determined upon the implementation of the new system

¹ This amount represents a portion of the total system implementation cost allocated to the Program.

